

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

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|--------------------------------------|---|-----------------------------|
| SQUARE, INC. and JAMES MCKELVEY, |) | |
| |) | |
| Plaintiffs, |) | |
| |) | |
| v. |) | Civil Action No. 10-cv-2243 |
| |) | |
| REM HOLDINGS 3, LLC, a Missouri LLC, |) | |
| |) | |
| Defendant. |) | |

**COMPLAINT FOR CORRECTION OF INVENTORSHIP ON
U.S. PATENT NO. 7,810,729**

Plaintiffs, Square, Inc. (“Square”) and James McKelvey, by and through their undersigned attorney, pursuant to 35 U.S.C. Section 256, make this Complaint against Defendant REM Holdings 3, LLC, as follows:

NATURE OF THE ACTION

1. This is an action for correction of inventorship under 35 U.S.C. § 256 with respect to U.S. Patent No. 7,810,729 (“the ‘729 Patent”). A true and correct copy of the ‘729 Patent is attached hereto as Exhibit 1.

2. The ‘729 Patent, entitled “Card Reader Device for a Cell Phone and Method of Use,” issued on October 12, 2010 from U.S. Patent Application Ser. No. 12/456,134 (“the ‘134 Application”) filed June 10, 2009, and names Robert E. Morley, Jr. as the sole inventor. On its face the ‘729 Patent lists REM Holdings 3, LLC as the assignee of the ‘729 Patent.

3. Plaintiff James McKelvey is a joint inventor on inventions claimed in the ‘729 patent yet, through omission, inadvertence and/or error, was not named as an inventor along with Robert E. Morley, Jr.

4. Mr. McKelvey is obligated to assign his rights in the '729 Patent to Plaintiff Square, Inc.

5. Mr. McKelvey and Square, Inc. request that the Court order the Commissioner for Patents of the United States Patent and Trademark Office ("USPTO") to correct the '729 Patent to add Mr. McKelvey as a joint inventor.

THE PARTIES

6. Plaintiff Square, Inc. ("Square") is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 901 Mission St., Suite 104, San Francisco, CA 94103 and a place of business at 6150A Delmar Blvd., Suite 200, St. Louis, MO 63112.

7. Plaintiff James McKelvey ("McKelvey") is an individual and resident of the State of Florida residing in Pensacola, Florida.

8. On information and belief, Defendant REM Holdings 3, LLC ("REM") is a limited liability company with a principal place of business within this District in St. Louis, Missouri, organized under the laws of the State of Missouri. On information and belief, REM's sole organizer, member and registered agent in Missouri is Robert Morley, Jr., who resides within this District in St. Louis, Missouri.

JURISDICTION AND VENUE

9. This action is brought under the patent laws of the United States, 35 U.S.C § 101 *et seq.*, and in particular, 35 U.S.C. § 256. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 1338.

10. Personal jurisdiction and venue are proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) because for purposes of personal jurisdiction and venue a substantial part of the

events or omissions giving rise to the claims occurred in this Judicial District. In addition, venue of this action is properly found in this Judicial District pursuant to 28 U.S.C. § 1391(b) and (c) because REM is subject to personal jurisdiction in this Judicial District.

FACTUAL BACKGROUND

11. Plaintiff James McKelvey is a software engineer who earned dual bachelor's degrees in Computer Science and Economics from Washington University in St. Louis ("Washington University"). Shortly after graduating from Washington University in 1987, Mr. McKelvey founded a software company called Mira, Inc. ("Mira") and has served as Mira's president and chief scientist for the past 23 years. Mira specializes in content collection and publishing over the Internet using proprietary software developed by Mira. Mr. McKelvey is also an artist, a glass blower, who owns and operates glass studios and who has taught courses in glass blowing. When Mr. McKelvey founded Mira, he funded Mira in part from the proceeds from sales of his glass art.

12. Over the years, Mr. McKelvey showed and sold his glass art at a number of venues. Mr. McKelvey, however, had to forego some sales because he could not accept credit card payments. The hardware necessary to accept credit card payments was cumbersome and processing credit card payments was difficult. In or about February 2009, in a flash of inventive insight, Mr. McKelvey conceived of a way in which businesses and individuals could easily accept and process credit card payments. Mr. McKelvey conceived of using a cell phone to process credit card payments. Mr. McKelvey conceived of an invention in which a card reader for reading magnetic card stripes such as those found, for example, on credit cards, debit cards, gift cards and the like, would be plugged into a cell phone input jack. Mr. McKelvey also

conceived of a magnetic card reader that is small in size so that it would not be cumbersome and would easily plug into a user's cell phone.

13. In or about February 2009, Mr. McKelvey discussed his inventive ideas with his friend Mr. Jack Dorsey, an entrepreneur who is also a co-founder of Twitter. Mr. Dorsey and Mr. McKelvey discussed Mr. McKelvey's invention, and together co-founded Square, Inc. to exploit Mr. McKelvey's inventions. Mr. Dorsey and Mr. McKelvey discussed alternate approaches to using a cell phone to process credit card payments. Mr. Dorsey favored using the cell phone camera to read the credit card number but Mr. McKelvey concluded that the best approach was to plug a magnetic card reader into a cell phone input jack.

14. In or about February 2009, Mr. McKelvey contacted his friend of 20 years, Mr. Robert Morley, Jr., to help build a prototype magnetic card reader that could be plugged into a cell phone input jack. Mr. Morley, a professor at Washington University, had previous experience working with magnetic card readers. Over a period of several days, working in Mr. McKelvey's glass studio and Mr. Morley's laboratory at Washington University, Mr. McKelvey and Mr. Morley exchanged ideas regarding the design of the prototype card reader. Mr. Morley built a prototype magnetic card reader in his laboratory at Washington University, and Mr. McKelvey and Mr. Morley tested the prototype card reader in Mr. Morley's Washington University laboratory.

15. After successful testing of the initial prototype that Mr. Morley built, Messrs. Morley and McKelvey jointly constructed several more examples using the circuit designed by Mr. Morley. Mr. McKelvey, working alone, then incorporated these circuits into miniaturized cases and continued testing the card readers.

16. In or about March, 2009, Mr. McKelvey suggested a further change to the card reader's circuitry. This change significantly improved the output of the reader and reduced the number of electrical components by fifty percent. The card reader circuitry shown in the figures of the '729 Patent is Mr. McKelvey's design.

17. In or about April 2009, Messrs. McKelvey, Morley and Dorsey discussed obtaining patent protection for the magnetic card reader that can be plugged into a cell phone. Mr. Morley contacted a patent attorney, Mr. David Chervitz, to do a prior art search. Mr. McKelvey paid Mr. Chervitz's fees for the search. In or about May 2009, Mr. Morley received the results of the prior art search and discussed them with Messrs. McKelvey and Dorsey. On or about May 4, 2009, Messrs. McKelvey, Morley, and Dorsey decided to pursue patent protection on magnetic card reader inventions for which Mr. McKelvey is a joint inventor. Mr. Morley offered to shepherd the patent application through the application and prosecution process.

18. Mr. Chervitz was retained to prepare and file a patent application. Mr. Chervitz's fees to prepare the application were paid by Mr. McKelvey.

19. On June 10, 2009, Mr. Chervitz filed the '134 Application. The Application, however, listed only Mr. Morley as the sole named inventor. That listing was in error because Mr. Morley is not the sole inventor of the inventions claimed in the '134 Application. On October 12, 2010, the '134 Application issued as the '729 Patent. Mr. Morley was listed as the sole named inventor on the '729 Patent. That listing is in error because Mr. Morley is not the sole inventor of the inventions claimed in the '729 Patent.

20. James McKelvey significantly contributed to the conception of one or more inventions claimed in the '729 patent and thus is a joint inventor of the inventions claimed in the

'729 patent. Indeed, Mr. McKelvey significantly contributed to the conception of at least claims 1, 3, 4, 6-11, 13-15, 19-22 of the '729 Patent.

21. The error in not listing Mr. McKelvey as a joint inventor of the inventions claimed in the '729 patent arose without any deceptive intent on Mr. McKelvey's part.

22. Although a letter providing notification of the error in omitting Mr. McKelvey as a named inventor on the '729 patent was sent to Mr. Chervitz on October 21, 2010, on information and belief, neither Mr. Morley nor Mr. Chervitz has taken action to correct the error. A true and correct copy of an October 21, 2010 letter from Mr. Paul Davis to Mr. Chervitz is attached hereto as Exhibit 2.

COUNT I

(Correction of Named Inventor on U.S. Patent 7,810,729

Pursuant to 35 U.S.C. § 256)

23. The allegations of paragraphs 1 through 22 of this Complaint are repeated, re-alleged and incorporated herein as if fully set forth in this Count.

24. James McKelvey made independent conceptual contributions to the inventions claimed in claims 1, 3, 4, 6-11, 13-15, 19-22 of the '729 Patent.

25. Through omission, inadvertence and/or error, James McKelvey was not listed on the '729 Patent as an inventor of the inventions claimed in the '729 Patent.

26. The omission of James McKelvey as an inventor on the '729 Patent occurred without any deceptive intent on Mr. McKelvey's part.

PRAYER FOR RELIEF

WHEREFORE, as to Count I of this Complaint, Square Inc. and James McKelvey respectfully request that the Court issue an order directing the Commissioner for Patents of the

United States Patent and Trademark Office to correct U.S. Patent No. 7,810,729 by adding Mr. James McKelvey as a co-inventor thereon and for such other relief as the Court deems just and proper.

Dated: December 1, 2010

Respectfully submitted,

/s/ Michael A. Kahn
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—and—

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